



Van H. Wanggaard

Wisconsin State Senator

TESTIMONY ON SENATE BILL 60

Thank you, Mr. Chairman and Members of the Committee, for scheduling this hearing on Senate Bill 60. I am pleased to appear with Representative Warren Petryk, the Assembly author of this legislation and its companion, AB 107, to testify in support of the bill.

Too often, we are so focused on using company relocations to import new jobs to Wisconsin that we neglect to grow the jobs we already have here in Wisconsin. This bill encourages and rewards growth by providing a property tax credit to companies that expand their existing Wisconsin facilities. It encourages employers to continue to invest in Wisconsin and its workforce.

One of the many impediments to expanding an existing business in Wisconsin is the added property tax liability that comes with expansion. Wisconsin taxes businesses on both real and personal property. So if a business builds a \$300,000 plant expansion and buys \$100,000 worth of equipment for that expansion, their property value goes up by \$400,000 and their property tax bill goes up by a corresponding amount. This can add several thousand dollars to the cost of expansion and may jeopardize anticipated job growth.

At the Assembly hearing on AB 107, concerns were raised about the implementation and constitutionality of our initial proposal. Because of that, Representative Petryk and I have each offered substitute amendments to our bills. In our substitute amendments, we provide a nonrefundable income tax credit to businesses that expand and add jobs. If a business adds 5 jobs as a result of the expansion, they will receive a tax credit equal to 100% of the property tax on the property improvements or personal property acquisitions for a period of two years. Because this bill is focused on small business, there is a sliding scale available also. For example, if a business expands and adds just 1 job, they will receive a 20% credit, 2 jobs, 40%, and so on. Unfortunately, the uniformity clause prevents us from providing a tax credit directly on the property tax bill, so this credit is offered on the income tax form. In addition, there are protections built into the bill to prevent businesses from "gaming the system." There is also a Legislative Council Memo on the substitute amendment, which I believe has been distributed to the committee.

Another way to look at this proposal is as a miniature TIF District. It is extremely localized, (limited to a single property) and extremely short term (limited two years), but the idea is the same. It allows a business to expand and create jobs without having to worry about increased taxes.

This bill won't turn Wisconsin's economic engine around overnight. But as we look to the future of our state, we need to encourage people to invest in jobs here – in Wisconsin. This bill is a good first step in that process.

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